

M e m o r a n d u m

To: Panel Members Date: September 22, 2006

From: Diana Torres, Manager Analyst: J. Davey

Subject: One-Step Agreement for **DOOR COMPONENTS, INC.**

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Promotion of California's Manufacturing Workforce
Stimulating Imports/Exports
- Type of Industry: Manufacturing Metal Doors And Door Components
- Repeat Contractor: Yes
- Contractor's Full-Time Employees
 - *Worldwide:* 135
 - *In California:* 135
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

CONTRACT:

- Program Costs: \$64,800
- Substantial Contribution: \$0
- Total ETP Funding: \$64,800
- Total In-kind Contribution: \$72,000
 - *Trainee Wages Paid During Training:* \$72,000
 - *Other Contributions:* \$0
- Reimbursement Method: Fixed-Fee
- County(ies) Served: San Bernardino

INTRODUCTION:

Door Components, Inc. (DCI) founded in 1981, manufactures metal doors, window frames and metal molding for the building and construction industries. Located in Rancho Cucamonga, the company sells its products in the wholesale market throughout the U.S. and Canada to construction companies and contractors. Most of the company's doors and other components are designed for commercial and industrial (non-residential) buildings.

DCI qualifies for standard Employment Training Panel (ETP) funding as a manufacturer under Title 22 California Code of Regulations, Section 4416 (b).

MEETING ETP GOALS AND OBJECTIVES:

DCI proposes training that will further the following ETP goals and objectives:

- 1) Training is targeted to meet the needs of a skilled workforce in an industry facing strong competition from out-of-state, thus meeting ETP's legislative mandate to foster job retention in industries threatened by out-of-state competition.
- 2) This project meets ETP's legislative mandate to support the growth of the California economy by stimulating exports from the state.

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 Retrainee	MENU: Business Skills, Computer Skills, Continuous Improvement Skills, Manufacturing Skills	75	24 - 160	0	\$864	*\$11.83 - \$45.00
Wages After 90-Day Retention						
<u>Occupation</u>						
Administrative Staff Engineering Staff Managers Manufacturing Staff Sales/Customer Service /Project Management Staff						
<u>Health Benefits Used To Meet ETP Minimum Wage:</u>					<u>Turnover Rate</u>	<u>% Of Mgrs & Supervisors To Be Trained:</u>
*Health benefits of at least \$1.50 per hour may be added to the base wage to meet the ETP minimum hourly rate of \$11.83 per hour for San Bernardino County.					12%	9%
<u>Other Employee Benefits:</u>						
In addition to Health Benefits, DCI offers 401K retirement plan, Sick Leave, Vacation, Long Term Disability and Tuition Reimbursement.						

COMMENTS / ISSUES:

➤ *Frontline Workers*

Sixty-eight participants in this project meet the Panel definition of frontline workers under Title 22 California Code of Regulations, Section 4400(ee). In addition, seven managers (9%) will also participate in training. DCI states that managers need the skills described in this proposal to assist frontline workers in obtaining and implementing the new skills. In addition, DCI agrees that no executive staff who set company policies will be reimbursed for training.

➤ *Production During Training*

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

RECOMMENDATION:

Staff recommends that the Panel approve DCI's proposal to retrain its workers in door hardware industry certification, computer skills, and manufacturing skills. These skills will increase the company's door industry standards, integrate new software from point-of-sale to product delivery, and improve manufacturing delivery times, thus giving DCI a more competitive and sophisticated presence to meet out-of-state competition.

NARRATIVE:

A spokesperson for DCI said that it continues to face competitive pressures from lower-cost door manufacturers located in Canada, Mexico, Arizona, and New Mexico. Each of these out-of-state companies benefits from either lower operating costs or more favorable exchange rates, and they are all trying to undercut DCI's prices and win its customers. The company believes that its real competitive advantage lies in its ability to provide a higher quality product and superior customer service. As proof of this belief, the company has experienced increasing, albeit uneven, growth over the last several years, mostly due to expanding growth in the commercial and industrial construction sector of the Southern California economy. In order to maintain this kind of growth in an expanding but competitive market the company is committed to investing in its human resources through training.

The spokesperson said the requirements for metal doors in commercial and industrial buildings have changed radically: sophisticated security and safety features now are the norm rather than the exception. To meet this growing demand, DCI opened a second production facility in 2002 to accommodate the expansion of its new-project sales department to provide customers with "turn key" engineering for complicated security doors and hardware.

NARRATIVE: (continued)

DCI realized a huge and immediate positive response to “turn key” solutions from its customers. However, the company did not have the processes or technical skills to take full advantage of this new market, and DCI saw a loss of market share in 2004. The downturn was also due to a combination of rework and cost-reduction pressure from out-of-state and foreign competitors. These circumstances forced the company to consolidate its business and close its unprofitable aluminum window division earlier this year. This was a strategic decision and DCI was able to use the manpower, equipment, and facility to serve its door and frame customers.

To more fully develop its changing market, DCI will provide training through the Door and Hardware Institute to improve the technical skills of its sales, engineering, and project management staff. This training will upgrade DCI's door and hardware technical skills and provide a career ladder for those who want to grow with the company. Furthermore, the company recently made significant capital investments in Axapta and Digital Resources Inc. software to decrease order processing time from point-of-sale to shipping. Integrating these two software products will require staff training so that manual processes can be automated. Lastly, DCI will provide manufacturing skills to its production staff to improve manufacturing processes and delivery times. It is vital that the company improve the link between its customer orders, the project sales, and integration with the production floor.

The following skills will be delivered to the company's frontline staff and managers:

Business Skills will provide the management, sales, customer service, and project management staff with the project management and customer relationship skills to ensure that its customers get a quality product on time.

Computer Skills will provide management, sales, customer service, engineering, and project management staff the skills to fully integrate DCI's Axapta ERP software. In addition, the engineering, production management and sales staff will learn how to operate DRI. Without computer analytical tools, it will be very difficult to sustain DCI's continuous improvement efforts.

Continuous Improvement will provide Door Hardware Institute certification training to increase the understanding of its products and industry standards and provide the company with a technical competitive advantage. This training will allow the company's sales, customer service and project management staff with the expertise to become more consultative in its approach to solving customer problems. Continuous improvement training will also provide the skills to simplify and perfect the company's material receiving, ordering, manufacturing, and shipping processes so that DCI can automate them effectively.

Manufacturing Skills training will enable the manufacturing staff to identify and fix quality problems at their station, rather than during quality inspection of the finished product. In addition, this training will improve skills for shearing, welding, gluing, finishing and shipping its products.

NARRATIVE: (continued)

Commitment to Training

A spokesperson for DCI states that ETP funding will not displace its own resources for training.

- DCI's annual budget for training for its California facilities is \$100,000.
- The types of training provided to trainees include safety, orientation, tuition reimbursement and job-specific skills.
- DCI expects the training requested in this proposal will increase operational efficiency, accelerate its transition to a high performance workplace, improve customer satisfaction, retain valued employees, and improve the company's competitiveness in a changing market.

SUBCONTRACTORS:

To be determined.

THIRD PARTY SERVICES:

American Business Concepts, Inc. assisted in the development of the Application and other agreement requirements. The amount reimbursed for these services is a flat fee of \$5,000.

PRIOR PROJECTS:

The following are completed project statistics for ETP Agreements with DCI within the last five years:

PRIOR PROJECTS						
Agreement Number	Location (City)	Term	Contract Amount	Amount Earned	Planned In-kind Contribution	Reported In-kind Contribution
ET01-0268	Rancho Cucamonga	4/2/01 — 4/1/03	\$43,679	\$35,225	\$130,615	\$108,450

Door Components, Inc.

MENU CURRICULUM

Class/Lab Hours	Trainees will receive any of the following:
Job Number 1 24 – 160	<p>Business Skills</p> <ul style="list-style-type: none">• Customer Relationship Management Skills• Project Management <p>Computer Skills</p> <ul style="list-style-type: none">• Axapta Enterprise Resource Planning Software• DRI Engineering Software <p>Continuous Improvement Skills</p> <ul style="list-style-type: none">• Lean Enterprise & Manufacturing Training• Fundamentals of Architectural Doors & Hardware• Basic Architectural Hardware• Door & Frame Applications <p>Manufacturing Skills</p> <ul style="list-style-type: none">• Press Break & Shear Operations• Spot, Channel & Continuous Welding• Gluing Operations• Painting Operations• Finish Operations• Shipping & Receiving Operations

Comment: The parties agree that the training identified in this Curriculum may be revised from time-to-time during the term of this Agreement at the request of Contractor and with the prior written approval of ETP. (See also Section 12 in this Agreement.)